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C O N F I D E N T I A L QUITO 002651

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TAGS: PGOV EC

SUBJECT: ECUADORIAN CABINET INSTABILITY

REF: A) QUITO 2631 B) QUITO 2625 C) QUITO 2575

Classified By: Ambassador Linda Jewell for reasons 1.4 (b) and (d)

¶1. (SBU) Summary: Since President Correa's inauguration on January 15, 2007, 16 cabinet ministers have left office, though many of them have been transferred to other government offices. During his eleven months of government, President Correa has increased the number of ministries from 17 to 26, arguing that plans for state reform require further expansion of the bureaucracy. The Cabinet shifts do not alter its overall balance between moderate and leftist members.

MUSICAL CHAIRS

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¶2. (SBU) Changes in the Ecuadorian Cabinet are historically frequent and the Correa administration has proven to be no exception to this rule. The Ministries of National Defense and the Ministry of Transportation and Public Works have had three ministers this year. 13 other Ministries have seen a change in minister this year.

¶3. (SBU) President Correa has made a habit of recycling officials. Ricardo Patino has led three Ministries in 2007. Fernando Bustamante, current Minister Coordinator of Internal and External Security, was the acting Minister Coordinator of Politics and is currently the acting Minister of Government. Correa has also raided his cabinet to fill positions in other branches of government. Two ministers and the Secretary of Communications resigned to run for and win seats in the Constituent Assembly on the Proud and Sovereign Fatherland (PAIS) ticket. Only three former Ministers are no longer working with the government.

¶4. (C) Reasons for dismissal are not always apparent, and occasionally catch the political establishment off-guard. President Correa has cited a lack of adherence to PAIS principles and poor management skills, but often times the changes appear to be moves to consolidate his own power. However, Correa has defended his ministers against criticism from outsiders for as long as politically possible. For example, he supported his ministers of Economy and Environment, who were publicly questioned and against whom Congress passed non-binding votes of no confidence. President Correa attempted to keep both Ministers in their posts, but eventually dismissed one of them and created a new ministry for the other one.

THE CABINET AT WORK

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¶ 15. (C) Vanguardia, a highly respected local political magazine, reported in its December 11 issue comments from unidentified Ministers describing the relationship between President Correa with his cabinet as somewhat tense. President Correa has been known to chastise senior staff at length during cabinet meetings. His criteria for appointing senior staff is not clear, given that sometimes he appears to favor efficiency while at other times the emphasis is placed on loyalty. The fact that there is so much reshuffling within his cabinet may be indicative of the administration's belief that skills are transferable across sectors.

¶ 16. (C) Andres Valdivieso, Chief of Staff to former Minister of Government Gustavo Larrea, told polchief on December 5 that the criteria for appointing ministers is threefold: 1) they must be honest, 2) they must have experience in the area, but not necessarily be specialists or have a degree in the designated area, and 3) they must be loyal to the ideals of PAIS (although not necessarily directly connected or previously active in the movement.) The academic caliber of the Correa government is impressive, among not just the senior levels but also within the younger staff ranks. But recent Ministerial appointee Susana Cabeza de Vaca shared with EmbOffs her perception that perennial Ecuadorian dynamics persist, such as a natural division within the Correa group between those from the coast and those from the highlands. She is also struck by the different world-view of the European-trained camp, compared to the US-trained group. Still missing are many leaders with executive and managerial experience; the intellectual firepower makes for endless discussion and meetings, but difficulty converting decision to action.

#### GROWTH OF THE BUREAUCRACY

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¶ 17. (U) The central government had created at least 550 new jobs in its bureaucracy. While merging some agencies and eliminating others, the net effect has been the expansion of the public sector. In addition, prior to its suspension, Congress approved the creation of two new provinces this year, which will result in yet more public positions, albeit at the provincial level.

¶ 18. (U) A month after his inauguration, Correa created six Coordinating Ministries, which concentrate on: Economic Policy, Social Development, Production, Internal and External Security, National and Cultural Heritage, and Politics. These Ministries (which are really more like secretariats and are very thinly staffed) are charged with coordinating policy across public institutions. Although their creation dates back to February 15, the last position was not filled permanently until December 9.

¶ 19. (U) Additionally, Correa has called for the creation of five regional Ministries, one of which would represent Ecuadorians living abroad. On July 25, President Correa created the first one of them, the Ministry of the Coast. Critics question whether there would be a conflict of jurisdiction between ministries devoted to specific areas of government and regional ministries which cut across all areas of government.

#### COMMENT

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¶ 110. (C) Cabinet instability has revealed both the varying views within PAIS and President Correa's eagerness to implement radical bureaucratic changes in support of his change agenda. Recent appointees Maria Isabel Salvador (Foreign Affairs) (ref a) and Suzana Cabeza de Vaca (Coordination of Production) both have reputations for being moderate, effective managers. By placing these veterans in his cabinet, along side the more left-leaning Minister for the Coordination of Economic Policy Pedro Paez, Correa has signaled a desire to "get things done". Furthermore, Cabeza de Vaca's ties with the United States (until her appointment she served as Chairman of the Fulbright Commission), were not

an impediment to her selection. However, the pace of Cabinet changes itself diminishes his prospects of achieving the effective, activist state institutions he seeks. The recent dismissal of Minister of Government Gustavo Larrea (ref c) demonstrated that even Correa's closest allies are not immune from the game of musical chairs he is playing and that Correa is not only determined to neutralize potential rival centers of power, but is also willing to expand his circle of advisors to drive home his agenda.

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